

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 04 HELSINKI 001592

SIPDIS

E.O. 12958: N/A

TAGS: [KCRM](#) [PTER](#) [KSEP](#) [SNAR](#) [KTFN](#) [EFIN](#) [FI](#)

SUBJECT: MONEY LAUNDERING AND FINANCIAL CRIMES IN FINLAND:  
SUBMISSION TO PART II OF 2004-2005 INCSR

[1](#)1. Summary: The following is Embassy Helsinki's submission to the money laundering and financial crimes section of the 2004-2005 International Narcotics Control Strategy Report (INCSR). End summary.

-----  
Overview  
-----

[1](#)2. Finland is not a regional center for money laundering, financial crime or illegal commerce. A "Corruption Perceptions Index" survey taken by Transparency International, which evaluates countries based on experts' perceptions of corruption, ranked Finland in first place as the country perceived around the world to be the least corrupt. Nonetheless, Finnish authorities are concerned about links to organized crime, as well as money laundering arising from fraud or other economic crime. To date, no Finnish (or Finland-based) individuals or organizations have been suspected of financing terrorism.

[1](#)3. The Money Laundering Clearing House (MLCH), established under the National Bureau of Investigation in March 1998, receives and investigates reports of suspicious transactions from obligated reporting institutions. The Clearing House has authority to initiate investigations before the basis of a pre-trial investigation has been established. The Clearing House also has the ability to freeze a transaction for up to five business days in order to determine the legitimacy of the funds. The responsibilities of the Clearing House were expanded in 2003 to include the prevention of terrorist financing.

[1](#)4. The Clearing House received 4,132 suspicious transaction reports (STRs) in 2004, 2,716 in 2003, 2,718 in 2002, and 2,796 in 2001. A majority of the reports--roughly four-fifths--concerned money laundering; the remainder consisted mostly of U.S., EU and/or UN designations of entities suspected of terrorist financing. Of the cases forwarded to pre-trial criminal investigation, the most common offenses were tax fraud (25 percent), narcotics offenses (13 percent), fraud (12 percent) and receiving offense (11 percent).

[1](#)5. Money laundering represents about 10 percent of all financial crime in Finland. Financial crime--not limited to money laundering--has remained steady over the past three years (approximately 1600 cases per year). As of the preparation of this report, no information is available on the number of arrests and/or prosecutions for money laundering in 2004. However, the scale of the problem is relatively minor. Between 1994-2002, 93 people were arrested for money laundering. Of those, 83 people were convicted.

[1](#)6. A majority of STRs involve at least one foreign party. Nationals from 84 countries were mentioned in the reports. To some extent, this internationalization is due to the receipt of terrorist financing related STRs. Of the money laundering STRs, the most-represented suspect nationalities were Finnish (48%), Russian (16.5%), Estonian (4.8%) and Swedish (1.6%). Criminal proceeds laundered in Finland derive mainly from domestic criminal activity. Local narcotics trafficking organizations as well as a small number of local organized crime groups control some of the money-laundering proceeds.

[1](#)7. Of all the reporting agencies, currency exchange companies are the most active in reporting suspicious transactions, accounting for 70% of all money laundering STR's. Other reporting entities include banks (19%), non-Police national authorities such as Customs and the Frontier Guard (7%) and insurance companies (1%). Reports from the National Police account for approximately 0.6% of all STR's. The Act on Preventing and Clearing Money Laundering protects individuals that cooperate with law enforcement entities.

[1](#)8. Money laundering occasionally occurs within offshore financial centers. Finland has not enacted secrecy laws that prevent disclosure of client and ownership information by domestic and offshore financial services companies to bank supervisors and law enforcement authorities. Finland does not have any cross-border transaction reporting requirements. However, Finnish authorities have addressed the problem of the international transportation of illegal source currency and monetary instruments in the Customs Act

(sections 13-20).

19. No Finnish entities or officials are known to encourage, facilitate or engage in laundering the proceeds from illegal drug transactions, from other serious crimes, or from terrorist financing. Neither have there been any reports of Finland's financial institutions engaging in currency transactions involving international narcotics trafficking proceeds that include significant amounts of United States currency or currency derived from illegal drug sales in the United States.

----- --  
Money Laundering & Financial Crimes Legislation  
----- --

10. In 1994, Finland enacted legislation criminalizing money laundering related to all serious crimes. The Act of Preventing and Clearing Money Laundering (Money Laundering Act), which passed in 1998, compels credit and financial institutions, investment and fund management companies, insurance brokers and insurance companies, real estate agents, pawn shops, betting services, casinos, and most non-bank financial institutions to report suspicious transactions. Management companies and custodians of mutual funds were added as covered entities in the Money Laundering Act in 1999.

11. Apartment rental agencies, auditors, auctioneers, lawyers, accountants, and dealers in high value goods were added when amendments to the Act came into force in 2003. Also included are the businesses and professions that practice other payment transfers in the field of financing that are not referred to in the Credit Institutions Act, such as "hawala." According to the Money Laundering Act, an obliged party must identify customers, exercise due diligence and report suspicious activity.

12. In December 2002 the Parliament accepted amendments to the Penal Code, which came into force on April 1, 2003. The amendments included the differentiation of penalty provisions concerning money laundering and traditional receiving offense in order to clarify the law where some actions could be punishable on the basis of both the receiving offense and money laundering penalty provisions, and to emphasize in legislation the criminality of money laundering and its relevance to serious organized crime. Prior to the amendments, the definition of money laundering was limited only to property gained through crime.

13. The new amendments expand the definition to include negligence and the usage or transmission of property gained through an offense and its proceeds or property replacing such property, as well as bringing under the law those who assist in activities of concealment or laundering. With the differentiation of money laundering from the traditional receiving offense, the receiving offense penal scale now corresponds to the basic penal scale of other economic offenses, and the money laundering penal scale is set to meet international standards, with sanctions of up to six years of imprisonment.

----- --  
INTERNATIONAL COOPERATION  
----- --

14. Finland is a member of the Financial Action Task Force (FATF) and the Council of Europe. The MLCH is a member of the Egmont Group. Finland also cooperates with the European Union, Europol, the United Nations, Interpol, the Baltic Sea Task Force, the Organization for Economic Co-operation and Development and other international agencies designed to combat organized crime. Finland is a party to the 1988 UN Drug Convention and has signed the UN Convention against Transnational Organized Crime. Finland is also a party to the Council of Europe Convention on Laundering, Search, Seizure, and Confiscation of Proceeds from Crime.

15. Finland has enacted laws for the sharing with other governments of seized narcotics assets, as well as the assets from other serious crimes. Finland is party to the Vienna and Strasbourg Conventions, and has signed the European Convention on Mutual Assistance in Criminal Matters, under which other countries may be afforded a considerable amount of legal assistance. Finland has also concluded numerous bilateral law enforcement cooperation agreements. In September 1989, Finland signed a tax treaty with the United States, replacing a previous treaty signed in 1970. The current treaty has provisions to exchange information for investigative purposes.

16. The MLCH may exchange information with other Financial Intelligence Units (FIUs) and with bodies engaged in criminal investigations, such as police services and public prosecutors. Although no Memorandum of Understanding (MOU) is required for this purpose under Finnish law, MOUs have been concluded with Belgium, Bulgaria, France, Latvia, Lithuania, Luxembourg, Poland, Spain, Switzerland, Thailand,

Korea, Canada, Russia and Albania. The information exchanged may only be used for the prevention and clearing of money-laundering transactions. Consequently, the information obtained may only be used as evidence with the approval of the MLCH.

17. The MLCH's action in response to a request for information on a given person or organization differs from case to case. In most cases, the MLCH simply hands over the requested information and no other measures are taken. If the MLCH has already received a STR related to the person or entity, the Anti-Money-Laundering Act allows it to start a police investigation. Under the Pre-trial Investigation Act, the police must institute an investigation if an offence is reported or suspected in Finland.

#### ----- ASSET FREEZING -----

18. From January-November 2004 the Money Laundering Clearing House gave 24 orders to freeze assets/suspend transactions. The total value of these transactions was \$1.7 million (EUR 1,398,398). With these orders, the Money Laundering Clearing House recovered \$630,000 of criminal proceeds. Most cases involved money laundering and financial crime. In 2003, the Clearing House gave 16 orders to freeze assets/suspend transactions. The total value of these transactions was approximately \$1.8 million, a significant increase from 2002 (\$900,000) and 2001 (\$720,000). With these orders, authorities recovered criminal proceeds totaling over \$1.5 million (compared to approximately \$5,000 in 2002 and \$650,000 in 2001).

19. According to the Penal Code Chapter 10 Section 2, the proceeds of crime shall be given to the injured party. If a claim for compensation or restitution has not been filed, Finnish authorities can order forfeiture. With some exceptions, only the proceeds of a crime can be forfeited. Legitimate businesses can be seized if used to launder drug money or support terrorist activity.

20. Finnish authorities do not have national authority to permanently suspend transactions or forfeit assets independent of a judicial process. Although the authority to freeze assets rests with the National Bureau of Investigation, officials at the MLCH consult and coordinate with other branches of government, including the Ministry of Foreign Affairs, the Ministry of Interior and the Ministry of Finance.

#### ----- Terrorist Financing Legislation -----

21. Finland became a party to the UN International Convention for the Suppression of the Financing of Terrorism on June 28, 2002. The penal code of Finland was amended at the end of 2002 with the addition of a new chapter on terrorism (Chapter 34 a). According to Section 5 of the amendment, a person who directly or indirectly provides or collects funds in order to finance a terrorist act or who is aware that these funds shall finance a terrorist act, commits a punishable offence.

22. In January 2003 the Parliament accepted amendments to the Money Laundering Act bringing it in line with the FATF Eight Special Recommendations on Terrorist Financing, the UN International Convention for the Suppression of the Financing of Terrorism and the amendments to the EU Directive on Money Laundering.

23. Finland has national authority to freeze terrorist assets. The Money Laundering Clearing House performs investigations on all individuals suspected of financing terrorist acts, including all individuals and entities on the UN 1267 sanctions committee's consolidated list. To date no Finns have been suspected of financing terrorism and no funds of foreign nationals suspected of terrorist financing have been located in Finland. In the event that funds are found, the assets could be frozen without undue delay for five business days. For the funds to remain frozen, a criminal investigation must be launched (either in Finland or abroad). The funds would remain frozen for the period of the investigation.

#### ----- Free Trade Zones -----

24. Finland has four Free Zones and seven Free Warehouse areas. The four designated Free Zones are located in Hanko (southern Customs District), Hamina and Lappeenranta (Eastern customs district), and Turku (Western Customs District). The seven Free Warehouses are located in Helsinki (southern customs district), Naantali, Pori, Rauma, Vaasa (Western Customs District), Kemi and Oulu (Northern customs district).

125. In Finland, the duty-free free zone and warehouse licenses have in most cases been granted to municipalities or cities, but one or several commercial operators, approved by the customs districts, are usually in charge of warehousing operations within the area. The duty-free storage areas are available to both domestic and foreign-owned companies. The free zone area regulations have been harmonized in the EU by the Community Customs Code.

126. Finnish Free Trade Zones often serve as a transit points for shipments of good to and from Russia. Many goods originating in East Asia and destined for St. Petersburg or Moscow, are transported on the trans-Siberian railway to the Lappeenranta Free Trade Zone, where they are temporarily stored. These are mostly high-valued goods, whose passage offers safety and tax incentives to Russian consumers. There are no indications that these zones are being used in trade-based money launderings schemes or by the financiers of terrorism. There are no supervisory programs and/or due diligence procedures in place to monitor activities in the free trade zones.

WEISBERG#